



Department of Defense DIRECTIVE

NUMBER 5105.36

June 8, 1978

Administrative Reissuance Incorporating Change 1, March 17, 1983

ASD(C)

SUBJECT: Defense Contract Audit Agency

References: (a) DoD Directive 5105.36, "Defense Contract Audit Agency," June 9, 1965 (hereby canceled)

(b) DoD Directive 5000.19, "Policies for the Management and Control of Information Requirements," March 12, 1976

1. PURPOSE

Pursuant to authority vested in the Secretary of Defense under the provisions of title 10, United States Code, this Directive reissues reference (a) and establishes the Defense Contract Audit Agency (hereafter referred to as "DCAA") with responsibilities, functions, authorities, and relationships as outlined below.

2. MISSION

DCAA shall:

2.1. Perform all necessary contract audit for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all Department of Defense components responsible for procurement and contract administration. These services will be provided in connection with negotiation, administration, and settlement of contracts and subcontracts.

2.2. Provide contract audit service to other Government agencies as appropriate.

3. ORGANIZATION AND MANAGEMENT

3.1. DCAA is established as a separate agency of the Department of Defense under the direction, authority and control of the Assistant Secretary of Defense (Comptroller). It shall consist of a Director and such subordinate organizational elements as are established by the Director within resources authorized by the Secretary of Defense.

3.2. No separate contract audit organization independent of the DCAA shall be established in the Department of Defense.

4. RESPONSIBILITIES AND FUNCTIONS

The Director, DCAA shall:

4.1. Organize, direct, and manage the DCAA and all resources assigned to the DCAA.

4.2. Assist in achieving the objective of prudent contracting by providing DoD officials responsible for procurement and contract administration with financial information and advice on proposed or existing contracts and contractors, as appropriate.

4.3. Audit, examine and/or review contractors' and subcontractors accounts, records, documents, and other evidence; systems of internal control; accounting, costing, and general business practices and procedures; to the extent and in whatever manner is considered necessary to permit proper performance of the other functions described in 4.4. through 4.12. below.

4.4. Examine reimbursement vouchers received directly from contractors, under cost-type contracts, transmitting those vouchers approved for payment to the cognizant Disbursing Officer and issuing DCAA Form 1, "Notice of Contract Costs Suspended and/or Disapproved," with a copy to the cognizant contracting officer, with respect to costs claimed but *not considered reimbursable. In addition, the contracting officer may* direct the issuance of DCAA Form 1, "Notice of Contract Costs Suspended and/or Disapproved," with respect to any cost which he has reason to believe should be suspended or disapproved.

4.5. Provide advice and recommendations to procurement and contract administration personnel on:

4.5.1. Acceptability of costs incurred under redeterminable, incentive and similar type contracts.

4.5.2. Acceptability of incurred costs and estimates of cost to be incurred as represented by contractors incident to the award, negotiation, modification, change, administration, termination, or settlement of contracts.

4.5.3. Adequacy of financial or accounting aspects of contract provisions.

4.5.4. Adequacy of contractors' accounting and financial management systems, adequacy of contractors' estimating procedures and adequacy of property controls.

4.6. Assist responsible procurement or contract administration activities in their surveys of the purchasing-procurement systems of major contractors.

4.7. Direct audit reports to the Government management level having authority and responsibility to take action on the audit findings and recommendations.

4.8. Cooperate with other appropriate Department of Defense components on reviews, audits, analyses, or inquiries involving contractors' financial position or financial and accounting policies, procedures, or practices.

4.9. Establish and maintain liaison auditors as appropriate at major procuring and contract administration offices.

4.10. Review General Accounting Office reports and proposed responses thereto which involve significant contract or contractor activities for the purpose of assuring the validity of appropriate pertinent facts contained therein.

4.11. In an advisory capacity, attend and participate, as appropriate, in contract negotiation and other meetings which contract cost matters, audit reports, or related financial matters are under consideration.

4.12. Provide assistance, as requested in the development of procurement policies and regulations.

4.13. Perform such other functions as the Assistant Secretary of Defense (Comptroller) may from time to time prescribe.

5. AUTHORITY

The Director, DCAA, is specifically delegated authority to:

5.1. Have free and unrestricted access to and direct communication with all elements of the Department of Defense and other executive departments and agencies as necessary.

5.2. Establish Defense Contract Audit Agency facilities using appropriate established physical facilities and services of other DoD components whenever practicable to achieve maximum efficiency and economy.

5.3. Obtain such information, consistent with the policies and criteria of DoD Directive 5000.19, (reference (b)) advice, and assistance from DoD components as he deems necessary.

5.4. Exercise the administrative authorities contained in enclosure 1 of this Directive.

6. RELATIONSHIPS

6.1. In the performance of his functions, the Director, DCAA shall:

6.1.1. Maintain appropriate liaison with other components of the DoD, other agencies of the Executive Branch, and the General Accounting Office for the exchange of information and programs in the field of assigned responsibilities.

6.1.2. Make full use of established facilities in the Office of the Secretary of Defense, other DoD components, and other Governmental agencies rather than unnecessarily duplicating such facilities.

6.1.3. The military departments and other DoD components shall provide support, within their respective fields of responsibility, to the Director, DCAA to assist in carrying out the assigned responsibilities and functions of the Agency. Programming, budgeting and financing for such support will be in accordance with policies and procedures prescribed by the Assistant Secretary of Defense (Comptroller).

6.2. Procurement and contract administration activities of the DoD components shall utilize audit services of the DCAA to the extent appropriate in connection with

the negotiation, administration, and settlement of contract payments and prices which are based on cost (incurred or estimated), or on cost analysis.

7. ADMINISTRATION

7.1. The Director, DCAA, shall be a civilian selected by the Secretary of Defense.

7.2. The appointment of other personnel to the Agency will be subject to the approval of the Director, DCAA.

7.3. DCAA will be authorized such personnel, facilities, funds, and other administrative support as the Secretary of Defense deems necessary.

8. EFFECTIVE DATE

This Directive is effective immediately.

A handwritten signature in black ink, appearing to read "C. W. Durnean". The signature is fluid and cursive, with a large initial "C" and a long, sweeping tail.

Deputy Secretary of Defense

Enclosures - 1

1. Delegation of Authority

E1. ENCLOSURE 1
DELEGATIONS OF AUTHORITY

Pursuant to the authority vested in the Secretary of Defense, and subject to his direction, authority, and control, and in accordance with DoD policies, directives, and instructions, the Director DCAA, or, in the absence of the Director the person acting for him, is hereby delegated authority as required in the administration and operation of DCAA to:

E1.1.1. Exercise the powers vested in the Secretary of Defense by 5 USC 301, 302(b) and 3101 pertaining to the employment, direction and general administration of DCAA civilian personnel.

E1.1.2. Fix rates of pay for wage board employees exempted from Civil Service classification by 5 USC 5102(c) (7) on the basis of prevailing rates for comparable jobs in the locality where each installation is located.

E1.1.3. Establish advisory committees and employ part-time advisers pursuant to the provisions of 10 USC 173, 5 USC 3109(b), the Federal Advisory Committee Act, and the Agreement between the Department of Defense (DoD) and the Civil Service Commission on employment of experts and consultants, dated March 14, 1975.

E1.1.4. Administer oaths of office incident to entrance into the Executive Branch of the Federal Government or any other oath required by law in connection with employment therein, in accordance with the provisions of 5 USC 2903, and designate in writing, as may be necessary, officers and employees of DCAA to perform this function.

E1.1.5. Establish a DCAA Incentive Awards Board and pay cash awards to, and incur necessary expenses for the honorary recognition of civilian employees of the Government whose suggestions, inventions, superior accomplishments or other personal efforts, including special acts or services, benefit or affect DCAA or its subordinate activities in accordance with the provisions of 5 USC 4503 and Civil Service Regulations.

E1.1.6. In accordance with the provisions of 5 USC 7532; Executive Order 10450, dated April 27, 1953, as amended; and DoD Directive 5210.7, "Department of Defense Civilian Applicant and Employee Security Program," September 2, 1966:

E1.1.6.1. Designate any position in DCAA as a "sensitive" position;

E1.1.6.2. Authorize, in case of an emergency, the appointment of a person to a sensitive position in the Agency for a limited period of time for whom a full field investigation or other appropriate investigation, including the National Agency Check, has not been completed; and

E1.1.6.3. Authorize the suspension, but not to terminate the services of an employee in the interest of national security in positions within DCAA.

E1.1.7. Clear DCAA personnel and such other individuals as may be appropriate for access to classified Defense material and information in accordance with the provisions of DoD Directive 5210.8, "Policy on Investigation and Clearance of DoD Personnel for Access to Classified Defense Information," February 15, 1962, and of Executive Order 11652, dated March 8, 1972, as amended.

E1.1.8. Act as agent for the collection and payment of employment taxes imposed by Chapter 21 of the Internal Revenue Code of 1954 and, as such agent, make all determinations and certifications required or provided for under Section 3122 of the Internal Revenue Code of 1954 and Section 205(p)(1) and (2) of the Social Security Act, as amended (42 USC 405(p)(1) and (2)) with respect to DCAA employees.

E1.1.9. Authorize and approve overtime work for DCAA civilian officers and employees in accordance with the provisions of the Federal Personnel Manual Supplement 990-1, Section 550.111.

E1.1.10. Authorize and approve:

E1.1.10.1. Travel for DCAA civilian officers and employees in accordance with Joint Travel Regulations, Volume 2, DoD Civilian Personnel;

E1.1.10.2. Temporary duty travel only for military personnel assigned or detailed to DCAA in accordance with Joint Travel Regulations, Volume 1, Members of Uniformed Services; and

E1.1.10.3. Invitational travel to persons serving without compensation whose consultive, advisory or other highly specialized technical services are required in a capacity that is directly related to, or in connection with DCAA activities, pursuant to the provisions of 5 USC 5703.

E1.1.11. Approve the expenditure of funds available for travel by military personnel assigned or detailed to DCAA for expenses incident to attendance at meetings of technical, scientific, professional or other similar organizations in such instances where the approval of the Secretary of Defense or his designee is required by law (31 USC 412). This authority cannot be redelegated.

E1.1.12. Develop, establish and maintain an active and continuing Records Management Program, pursuant to the provisions of Section 506(b) of the Federal Records Act of 1950 (44 USC 3102), the Freedom of Information Act Program (5 USC 552) and the Privacy Act Program (5 USC 552a).

E1.1.13. Establish and use Imprest Funds for making small purchases of material and services other than personal for DCAA when it is determined more advantageous and consistent with the best interests of the Government, in accordance with the provisions of DoD Instruction 5100.71, "Delegation of Authority and Regulations Relating to Cash Held at Personal Risk Including Imprest Funds," March 5, 1973, and the Joint Regulation of the General Services Administration/Treasury Department/General Accounting Office, entitled "For Small Purchases Utilizing Imprest Funds."

E1.1.14. Authorize the publication of advertisements, notices or proposals in newspapers, magazines or other public periodicals as required for the effective administration and operation of DCAA (44 USC 3702).

E1.1.15. Establish and maintain appropriate Property Accounts for DCAA and appoint Boards of Survey, approve reports of survey, relieve personal liability, and drop accountability for DCAA property contained in the authorized Property Accounts that has been lost, damaged, stolen, destroyed or otherwise rendered unserviceable, in accordance with applicable laws and regulations.

E1.1.16. Promulgate the necessary security regulations for the protection of property and places under the jurisdiction of the Director, DCAA, pursuant to subsections III.A. and V.B. of DoD Directive 5200.8, "Authority of Military Commanders under the Internal Security Act of 1950 to Issue Security Orders and Regulations for the Protection of Property or Places under Their Command," August 20, 1954.

E1.1.17. Establish and maintain, for the functions assigned, an appropriate publications system for the promulgation of common supply and service regulations, instructions, and reference documents, and changes thereto, pursuant to the policies

and procedures prescribed in DoD Directive 5025.1, "Department of Defense Directive System," November 18, 1977.

E1.1.18. Enter into support and service agreements with the Military Departments, other DoD agencies, or other Government agencies as required for the effective performance of responsibilities and functions assigned to DCAA.

The Director, Defense Contract Audit Agency, may redelegate these authorities, as appropriate, and in writing, except as otherwise specifically indicated above or as otherwise provided by law or regulation.

This delegation of authorities is effective immediately.